

Iowa Raffle Guidelines

July, 2002

Iowa Code Chapter 99B regulates charitable gambling and allows raffles to be conducted according to the following restrictions:

Organizations Eligible to Conduct Raffles:

Only "qualified organizations" are eligible to conduct raffles in Iowa. "Qualified organizations" are those that dedicate the net receipts of games of skill, games of chance, or raffles to educational, civic, public, charitable, patriotic, or religious purposes and that are either:

- exempt from federal income taxes under Section 501(c) of the Internal Revenue Code;
- parent-teacher organizations or booster clubs recognized as fundraisers for school districts; or
- city, county, state or federal agencies

A qualified organization must have been in existence at least five years in order to be eligible for a two year license. However, if an organization is a local chapter of a national organization, and the local chapter has been in existence for two years, the local chapter may obtain a license by supplying evidence of the relationship with the national chapter.

Licensure:



All persons conducting raffles in Iowa must submit an application with the license fee and obtain a charitable gambling license from the Iowa Department of Inspections and Appeals. The following application requirements must be satisfied before a license will be issued:

- ✓ **Proof of "qualified organization" status** – Each applicant must provide proof of the organization's tax exempt status. This proof must be in one of the following forms:
 - A determination letter from the Internal Revenue Service stating that the organization is exempt from federal income taxes under Section 501(c) of the Internal Revenue Code;
 - A notarized letter stating that a parent-teacher organization or booster club is recognized as a fundraiser for a school district. The letter must be signed by the president of the board of directors, the superintendent of the school district, or a principal of a school within the relevant school district.
- ✓ **Credit reference** – Each applicant must submit a written credit reference from a banking institution or other entity with which the applicant does business. The credit reference should state that the applicant holds an account with the entity writing the reference, and the applicant's account is in good standing.
- ✓ **Signature of law enforcement** – Each application must be signed by the Chief of Police or County Sheriff with jurisdiction over the gambling location.
- ✓ **Signature of responsible party** – Each application must be signed by an individual having authority to sign for the organization.
- ✓ **License fee** – Each application must be accompanied by the requisite license fee. License fees depend upon the duration of the license, and are listed on page one of the application.
- ✓ **Limited licenses** – A qualified organization may hold each type of charitable gambling license, types 8, 9 and 10, more than once per calendar year. However, each time an organization applies for one, a new application must be submitted with the appropriate license fee for the license type.



Ticket Sales:

- **Discounting** – Raffles must be conducted in a "fair and honest" manner. Raffle tickets may be offered for sale at a discounted rate, such as 6 tickets for \$5, if the discount is applied in a nondiscriminatory manner. The discount must be available to all persons throughout the duration of the raffle and must be posted on all promotional material.
- **No presence required** – Iowa law prohibits organizations conducting raffles from requiring participants to be present at the drawing in order to win prizes.
- **No extended prize drawings** – Raffle prizes must be awarded within a 24-hour period. An organization cannot draw winning names over a period of time greater than one day. For example, a single raffle providing monthly drawings would be illegal. Instead, each month's drawing must be conducted as a separate raffle, and participants must be given the option of buying single tickets for any one or more months.

Small vs. Annual Raffles:

- Iowa law classifies raffles into 2 categories: (1) small raffles, and (2) annual raffles.
 - (1) A small raffle is one wherein the aggregate value of the prizes awarded is \$10,000 or less, and the cost of a ticket is set by the organization.
 - (2) An annual raffle is one wherein the aggregate value of the prizes awarded is greater than \$10,000, and the cost of a ticket is set by the organization.
- A qualified organization may conduct an unlimited number of small raffles during the effective dates of its license.
- A qualified organization may conduct only 1 annual raffle per calendar year, unless the organization has a type 13 Annual Raffle License. Under the annual statewide raffle license, a qualified organization may hold not more than eight annual raffles per calendar year at which real property or one or more merchandise prizes having a combined value of more than \$10,000 may be awarded. Each such raffle held under an annual statewide license shall be held in a separate county.

Quarterly Reporting and Sales Tax:

- Each organization holding a charitable gambling license must complete and file a quarterly gambling report showing gross gambling income, disbursements, and total income.
- The Department sends out a gambling quarterly report form to all qualified organizations when the license is mailed.
- All licensees, except city and county governments, must pay state sales tax on their gross gambling proceeds. The sales taxes may be remitted with a copy of the quarterly gambling report to the Department of Revenue and Finance.



Use of Raffle Proceeds:

- All gambling receipts, less expenses, fees, taxes, and prizes must be distributed to educational, civic, public, charitable, patriotic, or religious uses within 30 days following the end of the calendar quarter in which the gambling occurred.
- A licensee desiring to hold the net receipts for a period longer than 30 days after the end of the quarter may request an extension from the Department of Inspections and Appeals.
- The amount distributed and dedicated must equal at least 75% of the net receipts.
- If a licensee derives at least 90% of its total income from charitable gambling, at least 75% of the licensee's net receipts must be distributed to an unrelated entity for educational, civic, public, charitable, patriotic, or religious purposes.